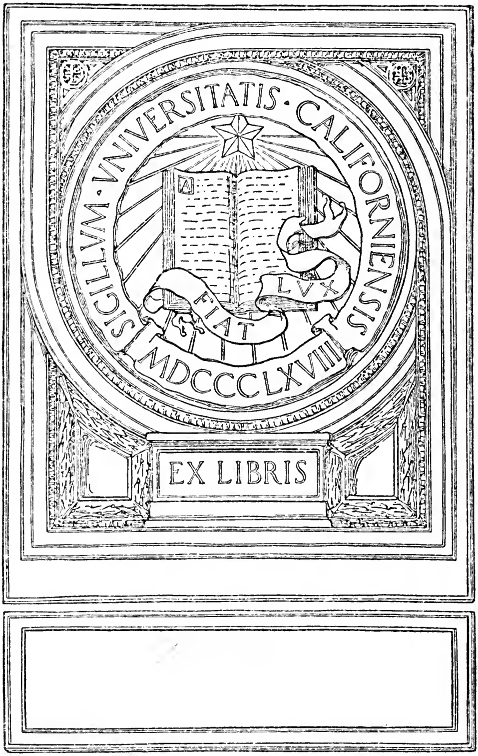
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# A SCIENTIFIC MONEY STANDARD

ELIAS LOWE McCLURE

y address all press notices or communications in reference to

**The Scientific Money Standard**

TO AUTHOR

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Bella Vista SAN FRANCISCO, CAL

# A Scientific Money Standard

The secrets of the Universe
once revealed, it is clear they
never were concealed

BY
ELIAS LOWE McCLURE

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# A SCIENTIFIC MONEY STANDARD

A MONEY standard of value is the greatest power in human affairs. It enters into every transaction, whether great or small, and is the power that creates or destroys the progress of a race, being the most important factor in economics.

A dollar is a measure of value, as a pound weight or yard-stick is a measure of quantity. But, unlike the pound weight and yard-stick, the standard gold dollar is not a fixed unit of value; it is merely a fixed quantity of gold, which varies in value with the supply and demand, as do all other commodities. The dollar measure, therefore, varies constantly with the rise and fall in the quantity of money in circulation. This defect in the money standard of value produces illimitable evils, which constantly disturb the prosperity of the world.

The stability of the yard-stick and pound weight makes commercial transactions as to quantities safe, but if a power existed which could increase or decrease the pound or yard at will, and

such power was exercised by men concealed from the view of law or public, it would seem impossible to do business under such conditions; yet price is far more vital in the dealings of men than quantity, and the standard that fixes all prices is absolutely in the control of those who control the gold supply of the world.

The fluctuation of the standard is more easily comprehended by considering the total supply of the world. The money standard conferred on gold makes its value equal the money use required to make the world's exchanges, plus the demand for its use in the arts. To double the gold supply of the world without increasing the demand for gold, would not increase the total value of gold, which would remain the same total as before; the dollar would buy but half the quantity it would before the increased supply; prices would rise one hundred per cent, or a dollar would be worth but fifty cents. Diminish the gold supply of the world one half, under the same conditions of demand, and gold would appreciate one hundred per cent, prices would fall one half, or the dollar would be doubled in purchasing power.

The limited quantity of gold in the world makes it possible (in localities) to create the very conditions described, by speculators, combinations,

or the silent operation of the law of money, which inevitably flows out of the country with high prices to the cheapest market.

The richest nation holds but a few hundred millions of gold in reserve, and as long as the money remains in the Treasury it is valueless to the country's prosperity, and it cannot be put in circulation but by methods which entail a risk of loss, and give large profit and advantage to favorites at the expense of the people. A few individuals have the power to contract the money supply, at will, to destroy prosperity and credit throughout the land; and frequently the disappearance of money from circulation gives speculators the opportunity to make enormous gains by precipitating a panic. The monetary system based on gold is a pyramid set on its apex. If the equilibrium is disturbed, ruin will be complete unless the money supply is restored to equal the demand.

Prices rise in countries where gold is abundant, thus stimulating the production of wealth, until prosperity is felt in every branch of industry. Prices fall when the gold supply diminishes below equilibrium, and there is no remedy or possibility to avert panic, suspension, bankruptcy, and general disaster until the supply of gold is restored to equal the demand.

The law which produces these events is so well known, that no doubt exists of the fact that the quantity of the standard money in circulation in any country makes it prosperous when money is abundant and bankrupt if it disappears, regardless of the natural advantages, wealth, or virility of the population; and though the vaults of the Treasury are filled with gold, or the money kings corner the supply and hold it out of circulation, the effect is the same as if it did not exist. If a supply of money cannot be put in circulation to meet the demand for money, credit will cease, and panic, suspension, and bankruptcy will follow until equilibrium is restored.

The cause for the ever-recurring phenomenon of periodical prosperity, followed by hard times, is easily understood when the volume of demand obligations of a country compared with the stock of standard money is known, together with the fact that when gold becomes scarce, all credit institutions are compelled to contract their loans and limit credits in the effort to increase their reserve of gold to meet probable demands for deposits payable on demand, or to meet maturing obligations which will be demanded in gold when the scarcity has placed gold at a premium. The state of the money market which precipitates the cessation of credit also increases the withdrawal of deposits, and if the

panic is unchecked, the strongest banking institutions are bound to suspend specie payment, for there is not gold enough in the world to pay the demand obligations of any great country, if they should all be presented for payment.

All the defects of a specific commodity standard could be removed by the National Government adopting a complete credit financial system, making the paper dollar the only legal tender money, and eliminating all other money from circulation. There would be no commodity in scientific money to fluctuate, for it would be a mere counter of wealth by a fixed and unchangeable unit of value, maintained by automatic regulation of the money supply to equal the demand.

In the exercise of its sovereign money power, the Nation could issue time notes for the appropriations of Congress, and (on application) for the budgets of the States, including all subdivisions of State governments, stipulating that all assessments and the collection of taxes be made by Treasury officials; the tax rate to be fixed by the Treasurer to keep the money issue for each debtor within the legal limit; Congress to provide revenue for the National budget, sufficient to meet the payment of notes at maturity, and if there should be either a surplus or a deficit in the revenue collected, it

should devolve upon the President to raise or lower the rate of taxes or levy a new tax in order to insure that no default may be possible in the payment of notes on the date they fall due.

All notes issued by the United States to be constituted a full legal tender, at their face value, for the payment of all debts, public or private, and said notes to supersede all existing money standards and remain the sole standard of value.

Together with each money issue there should be issued bonds of an equal amount, with semi-annual interest coupons attached. All disbursements by the issue department of the Treasury to be made in notes, and bonds of equal amount supplied to the depositaries, simultaneously, where bonds may be obtained on demand, in exchange for notes, or notes for bonds. Depositaries to detach the interest coupon for the current half-year on all bonds exchanged for notes. Bonds presented to depositaries for notes must have all unmatured coupons attached.

All issues being identical and a legal tender for all debts, the notes would circulate throughout the Nation without competition or question, and every dollar would measure the same value.

Credits could no longer be disturbed by the disappearance of the standard, nor prices be affected by its scarcity or redundance; and the demand for the production of wealth would be constant, for it is a desire incapable of being satisfied. The individual bankrupt could enter the field of production certain of a competency from his labor, and be assured of financial redemption if he sinned no more in speculation.

All wealth is produced by labor, and in a condition of permanent prosperity, the demand for labor would never cease, which would release the laborer from the strain and menace of idleness and poverty to certainty of employment and an increasing share in the product of his labor, which would raise the Nation to wealth and station, limited only by the industry and intelligence of the population. Such an advance in the condition of man would change the entire aspect and conception of life, transferring the human struggle for existence from the animal to the spiritual plane of life.

The stupendous investment in gold required to maintain the world's money supply involves a heavy tax upon the producers of wealth, which will be extinguished by paper money.

When gold is released from the money demand, its superlative qualities will be utilized with-

out hindrance for the betterment of man. Under the present condition of the human family but a small number of people can gratify their taste in ornamentation and decoration, but when prosperity assures continuous success to the industrious, and every man has a competency and can gratify the universal desire for the beautiful, the demand for gold will exceed the most extravagant imagination; this should reassure the gold producers that the ultimate value of gold will not be menaced should it be demonetized and replaced by a scientific money standard.

A country that has a per capita circulation of twenty dollars of standard money may be prosperous, but let a demand for gold be created that includes the gratification of the æsthetic tastes of all the producers of wealth, so that no gold supply could be adequate to the demand, and there is no doubt that it would give an impetus to the gold mining industry that would surpass all records. We can be certain that a people who have risen above poverty and are able to gratify the luxurious taste of their age, will have no ornaments or decorations that look cheap, but will beautify and enrich them with the splendor of gold.

The quantity theory of money, under a commodity standard, makes a perfectly stable unit of

value impossible, for the total world's supply of money, the demand for the standard metal in the arts, the amount held out of circulation, the activity of exchange, the perfection of commercial habits and use of substitutes for money, and the demand for money,—all enter into and produce the quantity theory, making it impossible to keep the money supply and demand at equilibrium when so many factors are constantly operating to cause fluctuations.

The practicability of establishing a perfect money system depends upon the scientific accuracy of the following statement (provided, that the practical operation of the system creating scientific money will maintain equilibrium between the supply and demand for money at all times, the function of money will be limited to a measure of value and a medium of exchange, and the dollar unit will endure a fixed value free from fluctuations).

It is well understood that the gold standard cannot be made stable, for there is a limit to the world's supply of gold, selfish interests may manipulate it, and the quantity in circulation become unequally distributed (either by design or by the law of money, to seek the cheapest market), or the fear of hard times may cause the withdrawal of deposits from circulation, or any other cause which

depletes the supply of money in circulation below equilibrium, lowers prices, stops production of wealth, destroys credit, and will produce general bankruptcy if the money supply cannot be restored to equal the demand.

On the other hand, every increase in the money supply in circulation, above equilibrium, will raise prices and lower the value of the money unit, which may be carried to such excess that the limit of inflation having been reached, the reaction is bound to produce disaster, lower prices, and raise the value of the money unit, till the other extreme causes a return flow of money.

The recurrence of depression and inflation is caused by the defect in the money standard, disturbing all nations through the impossibility to maintain equilibrium at any point when the world's supply and demand affects every locality. Scientific money, under the proposed system, would fix a unit of value, represented by the value of the gold dollar on the date it was superseded by the credit dollar, which would be maintained without fluctuation by the automatic regulation of the supply to equal the demand.

Depositaries would be located throughout the country, which would be supplied with bonds bear-

ing interest, equal in amount to the total money issue, that would be exchanged for money on demand, or money for bonds, without cost. The supply of bonds and money would be so abundant and flexible that it would be beyond the possibility of manipulation.

The money supply would not be affected by any other country. The balance of trade would be paid in the standard of the credit country, and the price of gold or other standard metal would rise and fall with the supply and demand, as other commodities do, but money in this country would always remain a fixed unit of value, while the system maintained equilibrium.

The great quantity of scientific money that would be put in circulation would raise prices, or cheapen the money unit (which is the same thing), but, that the natural flow of the excess would of necessity be absorbed by the bonds, because all excess money above the demand for a medium of exchange would have no value, except by depreciating the value of the money unit, unless it was taken out of circulation by exchanging the excess for bonds. That being the only alternative, there is no doubt that the excess would disappear in the depositaries, which would save the money unit from depreciation.

Excess gold is largely held out of circulation under the gold standard to prevent cheapening the gold unit, which would also depreciate all assets payable in gold. Credit institutions can afford to lock up excess gold and keep it out of circulation because the excess is a bagatelle in amount compared to the enormous assets in credits held by the moneyed institutions, all of which would rise or fall in value with the fluctuations of the money unit.

The proposed scientific money system would make a money issue that would be practically unlimited, and would provide an automatic regulator to keep the quantity of money in circulation at all times to equal the demand (by a law of money certain to govern its flow) in the payment of an interest rate, equal to the earning power of wealth in average investments, for money that would be exchanged for bonds, and thus be taken out of circulation.

On the other hand, the proposed system would provide an equally important detail, by affording every convenience for putting money in circulation, at all localities, in exchange for bonds, on demand, without cost, and when the money supply was insufficient to meet the demand, a premium would be paid, and if the profit exceeded the interest rate of bonds there would be an exchange of bonds for

money that would maintain equilibrium between the supply and demand.

Sound credit rests on ability to pay. Good reputation commands credit, but negotiable securities in title to wealth are the principal foundation of credit, and as long as scientific money maintains equilibrium in the money supply, no interruption of credit could be possible, that would disturb the transaction of the business of the country, such as may transpire at any time under the gold standard.

It is not difficult to understand when an individual note secured by collateral is good, and if the security is sufficient no loss can occur. The Nation's notes, under the plan proposed, would be secured by the sum of all the individual notes, together with all the collateral they possess. The security would be absolute, and no question or doubt could ever affect the perfect stability of the unit of value.

Investments in interest-bearing securities, such as bonds, notes, mortgages, etc., depend for their value on the rate of interest and the security they offer, etc. None of them are free from a risk of depreciation or loss. The nearest to absolute value in such securities would be a demand note of Mr. Rockefeller, Mr. Carnegie, or Mr. Morgan at a good interest rate, or a mortgage on the Call

Building, San Francisco, for $100,000.00 at six per cent interest would be considered choice security. But the Nation's bonds would be more stable in value than any other investment, because the security would be superior to any other, from the fact that it includes them all.

Every note that is cancelled is paid by the Treasurer from the revenue receipts taken in taxes from the people. Notes, therefore, are only technically paid in paper, but are really paid with the wealth produced by the people and taken from them in taxes to pay matured notes, which wealth is represented by the money in which the taxes are paid. The payment of notes at maturity would soon extinguish the money supply, but, that the proposed system issues new notes and before they are retired other notes have been issued, which maintains a constant supply of money.

Paper money issued by a nation, under a commodity standard, is certain to depreciate, unless the quantity put in circulation is kept at a safe limit and an ample reserve of standard money is maintained for its redemption on demand. The fatal defects of all paper money systems in the past have been, over-issues, the failure to make provision for payment, and discrediting its value by making a metal the standard.

A scientific money standard, properly regulated, would have none of these defects. The Nation would make its notes the only legal money, and limit the issue to a definite amount, the executive would be required to take from the accumulated wealth of the people a tax sufficient to pay all the notes at maturity; the total debt with full details and the taxes collected for the payment of the notes would be published in daily bulletins; no money would be issued but for budgets of the government, in due form; one money issue would not be paid by another money issue, but payment of matured notes would be made from the wealth produced by the people and taken from them in taxes for that purpose; the quantity in circulation would be regulated to equal the demand by paying interest on all excess money, a provision certain to control the flow of money and maintain equilibrium through the perfect freedom in the interchangeability of notes and bonds.

The subtle power exercised by selfish men, in all ages, through the control of the standard of value, has enslaved and impoverished the inhabitants of the earth, withholding from man the natural opportunities for the production of wealth, and even the possibility of sustaining life. This power that influences and may control every phase of human activ-

ity is invincible, and the secret of its domination has been so successfully concealed that the learned of every age, very generally, unite in upholding the theory that the evils arising from the unequal distribution of wealth are the result of man's imperfection and the operation of immutable law. Destroy this subtle power and the nobler nature and higher aspirations of man will burst the incumbering weight of ignorance and domination, and lift the race, as by magic, from the groveling slave to the realization of the brotherhood of man and the Fatherhood of God, in accordance with the plan and order of the Universe. A new world would spring forth when humanity was freed from tribute, oppression, and poverty; a world the like of which no imagination can picture. The domes of buildings would be covered with gold, to shine forever, and love instead of money would rule the human family.